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[February 21, 2003] [Volume VI, Issue 15]

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Swing Picks

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To OTC Journal Members:



On June 4, 2002, one of the OTC Journal's editors was invited to visit Ford's top secret "Skunk Works" in Dearborn, Michigan to experience a revolutionary new technology which could end up, in some form, on nearly all cars. Its potential was compared to fuel injection, air bags, and anti lock brakes in the early stages.

The visit was hosted by Cliff Carlson, Senior Technical Specialist from Ford who heads the Advanced Power Train Architecture & Propulsion Concepts department. This same Ford executive headed up the General Motors team that developed the technology to convert nearly all newly made cars from carburetors to fuel injection in the late 1970s.

The giant facility was a car enthusiast's dream. We were greeted with a row of "black car" Aston Martins and several high tech looking Jaguars.

Nestled amongst these thoroughbred sports cars, and looking like an NBA center at a jockey convention, was a slightly worn 2001 Lincoln Navigator outfitted with a 4.0-liter Jaguar V8. Underneath the vehicle, bolted to the frame on either side of the gas tank, were two long cylinders, each about twice the size of a SCUBA tank.

Mounted on the center console was a full computer screen with

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However, due to inefficiencies, there is still a great deal of energy wasted while driving.

The **SHEP (stored hydraulic energy propulsion)** system captures energy used during braking and recycles the energy back into the vehicle at the time it needs it most; when accelerating from a dead stop. At this time, the engine is performing least efficiently, burning the most fuel, and emitting the most pollutants.

After nearly two years of testing and fine tuning, **Ford** has been able to capture a full **70% of the energy wasted** in braking in the **Proof of Concept Navigator**, an astounding accomplishment by engineering standards.

There are three components to the system as follows:

- **The Ifield Motor/Pump:** Attached directly to the drive shaft of the vehicle, the Ifield Pump makes it happen. When the driver applies the brakes, the Ifield Pump actually grabs the drive shaft and helps slow the vehicle to a stop. **Ford** estimates the pump extends brake life by 77%. The pump transfers the energy created by the turning of the drive shaft to the:
- **Unitised Accumulator System:** This is a hydraulic tank which stores the energy provided by the Ifield pump during the braking process. The energy can then be transferred directly back to the pump and used to turn the drive shaft as the vehicle accelerates from a dead stop. The entire process is controlled by the:
- **Electronic Control System:** The brains of the operation. It is software which tells the pump what to do during the braking and accelerating process.

It works as follows: When you apply the brakes in a **SHEP** fitted vehicle, the Ifield Pump grabs the drive shaft. The spinning drive shaft turns the pump, and it stores the energy in a hydraulic storage tank as the vehicle slows.

When accelerating from a stop, the electronic control systems instructs the built up pressure to turn the pump, and the pump turns the drive shaft until the pressure is dissipated. The engine then takes over. Visit **SHEP's** corporate web site at www.shepinc.com for a virtual demonstration.

We were astounded when we actually had the opportunity to drive Ford's "Proof of Concept" Navigator and experienced **SHEP** working first hand. In a shopping mall parking lot directly across from a top secret Ford facility in Dearborn, Michigan, we drove the SUV. After achieving a speed of about 35 miles per hour, our editor brought the vehicle to a stop. The computer screen which had been rigged up between the driver and passenger seats showed the hydraulic pressure building in the accumulator system during braking.

PI Technologies Signs On To Develop the SHEP Jaguar

On February 6th, it was announced that **SHEP** had entered into an agreement with PI Technologies to deliver a working prototype of the SHEP system on a Jaguar X type before the end of 2003. **PI Technologies**, a subsidiary of PI Group, is a British based company considered by many to be the foremost worldwide expert in the design and development of automotive electronics.

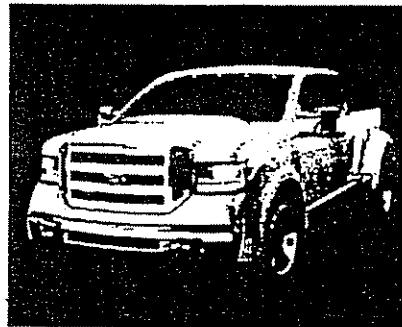


PI is owned by Ford, but only 40% of their business is Ford related. They are more well known as the premier provider of electronic control systems for Formula 1, NASCAR, and many other OEMs in the automotive world. The company employs 130 engineers in their worldwide operations.

In the near term, we anticipate the relationship with **PI Technologies** will open many doors for **SHEP Technologies**. They have relationships with all the major auto manufacturers world wide, and many governmental agencies with a mandate to reduce emissions and improve efficiencies.

PI will focus most of its energies on the electronic control systems. This is the brains of the operation, and tells the system when to engage and disengage. Fine tuning of the process can lead to significant performance enhancements. Upon conclusion, **SHEP** will own the computer software **PI** develops on their behalf.

Revenue Model



SHEP Technologies is not a capital intensive company. They own patents, development agreements, technological expertise, and a concept. They don't have a lot of hard assets. They only need several world wide offices and engineers to interface in development with Ford, Eaton, and **PI Technologies**. Therefore, their need for cash is minimal and their burn rate is very low.

They plan to generate revenues through licensing agreements, and strategic manufacturing partnerships.

We also believe you must plan to participate in **SHEP** for at least two years if you hope to experience a once-in-a-lifetime gain. Undoubtedly, there will be trading opportunities around corporate developments, but major commercial deployment is probably two years out. The remainder of 2003 will be development oriented. **SHEP** is working on financing from government agencies with a pollution control mandate, further relationships like the one with Ford, and high profile publicity. We don't expect the company to generate significant revenues until 2004.

Because of the enormous upside potential, we recommend you allocate 10% of your risk capital to an investment in SHEP. However, a prudent strategy would be to make your initial investment only be 25% of the amount you intend to allocate.

- Use a **limit order**- don't pay more than Friday's closing price or even less, and be prepared to wait a few days to get filled if you have to.

One year from today **SHEP** could be trading at \$10 or \$.10, and we don't know which it will be. If Ford announces commercial availability next week and the London Subway system signs a development contract, the stock could be \$5 overnight. If there are few developments for the next six months, the stock could trade down.

By starting with only 25% of the capital you intend to invest, you are in a position to acquire a larger number of shares for the same money in a declining market. If corporate developments lead to higher levels, as you accumulate you will still have an average cost below the current market.

Early investors in companies developing fuel injection, air bags, and anti lock brakes undoubtedly made enormous fortunes over time. The same opportunity exists here for investors. These products first appeared on a few high end models, and several years later were incorporated into nearly every vehicle on the road. **SHEP** has the same potential.

Very few investors know about this company, and the **OTC Journal** is the first to publish on a widespread basis. This first look gives you the competitive advantage.

If you want more information on the company and its technology, or have any questions, simply call their toll free Investor Relations number: 1-866-893-7039.

More on management, financial condition, and potential alliances in future editions.

Reference Links

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of six months. An additional fee of 100,000 free trading shares has been paid by a third party

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